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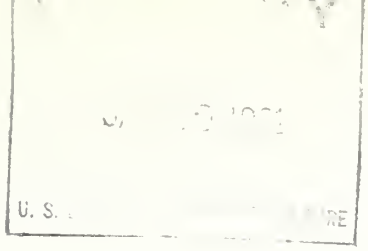

MARKETING SPREADS FOR TURKEYS IN SELECTED CITIES

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MARKETING SPREADS FOR TURKEYS IN SELECTED CITIES 1/

Farm-retail price spreads on turkeys in the last quarter of 1959 were the lowest reported for a comparable period in 4 years. 2/ Farm-retail price spreads in October-December 1959 in five major United States cities---Boston, Chicago, Los Angeles, New York, and St. Louis,---averaged 16.3 cents a pound on medium-size birds and 17.6 cents on large turkeys (table 9). 3/ These spreads were lower than comparable spreads in 1958 by 5.5 cents a pound on medium and 4.0 cents on large turkeys. 4/ Although price spreads at all marketing levels were generally lower in 1959 than in 1958, most of the decline in the gross farm-retail spread was due to a decrease in retail store spreads, which are influenced to a large extent by retailers' pricing policies.

Elements of the Spread

The average retail store spread of 6.1 cents a pound on medium turkeys was 4.2 cents lower during October-December 1959 than a year earlier. Prices paid by retailers increased sharply during the latter part of this quarter, while retail selling prices changed comparatively little. Average prices to retailers in these five cities increased 12.8 cents a pound, from 39.0 cents in October, 1959 to 51.8 cents in December that year, while retail selling prices increased only 4.2 cents, from 48.8 in October to 53.0 cents in December.

Retailers generally took wider margins on medium than on large size turkeys. They paid less per pound for medium than for large turkeys during October-December 1959, but generally received higher prices per pound for the medium size birds. Some retail stores sold turkeys for the same price per pound regardless of size, but in most stores it was found that the larger the size class of the bird, the lower was the selling price per pound. The preference of homemakers for medium turkeys over large birds lessens the need for big reductions in price to attract purchasers.

Farm-to-retailer price spreads on medium turkeys averaged 1.3 cents a pound lower during the last quarter of 1959 than during similar periods in 1958 and 1957 (table 9). Most of this decline occured in farm-to-receiver spreads. City receiver-to-retailer spreads (generally wholesalers' margins) have changed little in recent years.

1/ Prepared by Leo R. Gray, Agricultural Economist, Marketing Economics Research Division, Agricultural Marketing Service.

2/ The farm-retail price spread is the difference between the midmonth retail selling price per pound and the farm value or payment the farmers receive for the equivalent quantity of live turkey.

3/ Turkey size ranges used in this report are: Medium--8 to 16 pounds; and large--more than 16 pounds.

4/ For a more detailed presentation of data for 1958 see: Gray, Leo R., "Marketing Spreads for Turkeys in Selected Cities." The Marketing and Transportation Situation, April 1959, pp. 26-31.

Table 9.--Turkeys, medium and large: 1/ Price spreads and prices per pound, ready-to-cook basis, at various market levels, selected cities, averages October-December 1956-59

Size of turkey, year, and city	Price spreads					Prices			
	Farm-retail	Retail-store	Farm-retailer	Receiver-retailer	Farm-receiver	Retail	To retailers	To city receivers 2/	Farm value 3/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Medium turkeys:									
5-city average 4/									
1959	16.3	6.1	10.2	3.2	7.0	50.7	44.6	41.4	34.4
1958	21.8	10.3	11.5	3.5	8.0	52.6	42.3	38.8	30.8
1957	18.3	6.8	11.5	3.3	8.2	49.7	42.9	39.6	31.4
1956	22.0	10.1	11.9	2.7	9.2	55.8	45.7	43.0	33.8
Individual cities, 1959									
Boston	15.9	6.2	9.7	1.9	7.8	49.9	43.7	41.8	34.0
Chicago	15.3	3.2	12.1	4.6	7.5	48.8	45.6	41.0	33.5
Los Angeles	15.1	7.0	8.1	2.6	5.5	50.8	43.8	41.2	35.7
New York	18.6	8.2	10.4	3.2	7.2	53.4	45.2	42.0	34.8
St. Louis	16.6	6.1	10.5	3.7	6.8	50.6	44.5	40.8	34.0
Atlanta	17.2	6.1	11.1	3.6	7.5	51.8	45.7	42.1	34.6
Baltimore	17.5	5.3	12.2	2.9	9.3	51.4	46.1	43.2	33.9
Cleveland	19.3	---	---	---	---	52.8	---	---	33.5
San Francisco	16.9	6.1	10.8	5.3	5.5	52.6	46.5	41.2	35.7
Washington, D.C.	17.9	7.2	10.7	2.8	7.9	52.6	45.4	42.6	34.7
Large turkeys:									
5-city average 4/									
1959	17.6	3.9	13.7	---	---	5/49.2	45.3	---	31.6
1958	21.6	9.1	12.5	2.6	9.9	47.3	5/38.2	35.6	25.7
1957	20.8	7.2	13.6	2.9	10.7	45.3	38.1	35.2	24.5
1956	21.8	8.5	13.3	2.3	11.0	52.9	44.4	42.1	31.1

Continued -

Table 9.--Turkeys, medium and large: 1/ Price spreads and prices per pound, ready-to-cook basis, at various market levels, selected cities, averages October-December 1956-59 --Continued

Size of turkey, year, and city	Price spreads					Prices			
	Farm-retail	Retail-store	Farm-retailer	Receiver-retailer	Farm-receiver	Retail	To retailers	To city receivers 2/	Farm value 3/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Individual cities, 1959									
Boston	5/18.3	5/3.7	14.6	2.2	12.4	5/49.7	46.0	43.8	31.4
Chicago	16.8	2.8	14.0	4.3	9.7	48.5	45.7	41.4	31.7
Los Angeles	16.2	3.0	13.2	---	---	48.2	45.2	---	32.0
New York	6/	6/	14.0	3.0	11.0	6/	45.6	42.6	31.6
St. Louis	15.0	2.2	12.8	3.8	9.0	46.4	44.2	40.4	31.4
Atlanta	6/	6/	14.8	3.1	11.7	6/	46.5	43.4	31.7
Baltimore	18.8	0.8	18.0	7.4	10.6	50.2	49.4	42.0	31.4
Cleveland	6/	---	---	---	---	6/	---	---	31.3
San Francisco	5/18.8	5/2.0	16.8	4.8	12.0	5/50.8	48.8	44.0	32.0
Washington, D.C.	5/21.3	5/6.8	14.5	4.1	10.4	5/52.8	46.0	41.9	31.5

1/ Turkey size weight ranges are: Medium -- 8 to 16 pounds, and large -- more than 16 pounds.

2/ City receiver prices for Chicago, Los Angeles, and New York represent wholesale selling prices but for the other 7 cities represent f. o. b. delivered city prices.

3/ Farm value is the payment received by producers for the quantity of live turkey equivalent to 1 pound of ready-to-cook turkey. These values were computed from prices reported in major commercial turkey producing areas such as San Joaquin Valley, Shenandoah Valley, and the Midwest supplying the designated cities.

4/ 5-city average includes Boston, Chicago, Los Angeles, New York, and St. Louis.

5/ Estimated from data for less than 3 months.

6/ Insufficient data.

Compiled from retail prices collected by the Bur. of Labor Statistics and from prices to retailers, city receiver prices, and prices received by farmers collected by Federal and State market news services.

A more detailed analysis of farm-to-receiver spreads for medium turkeys produced in the North Central States and sold at wholesale levels in Chicago during the fourth quarters of 1958 and 1959 shows:

Spread:	1958 Cents per pound	1959 Cents per pound
Farm-to-Chicago receiver	8.7	7.1
Farm-to-shipping point	7.1	6.0
Shipping point-to-Chicago receiver	1.6	1.1

It appears that most of the decline in farm-to-receiver spreads on these turkeys may have been absorbed by processors, who perform most of the marketing functions covered by the spread between the farm value and shipping point price. Shipping point-to-receiver spreads are largely made up of the transportation cost plus the distributor margin.

Increase in Prices

Prices for medium turkeys increased substantially from October through December 1959, in contrast with the slight decline in prices during these months in other recent years. This sharp increase in prices in 1959 took place in spite of the large total supply of processed turkeys, as reported in the weekly Commercial Poultry Slaughter Reports and the Monthly Cold Storage Reports of the U. S. Department of Agriculture. The annual slaughter of 1,032,055,000 pounds of turkeys in commercial plants in 1959 was 5.6 percent greater than in 1958. End-of-month cold storage holdings of turkeys in the fourth quarter of 1959 ranged from 220.4 million pounds for October to 149.2 million for December. These cold storage holdings were less than for corresponding dates in 1958. Civilian per capita consumption of turkeys in 1959 was about 6.0 pounds, an increase of 0.3 pound from a year earlier. Thus, the total supply of turkeys in marketing channels in 1959 seemed to be adequate, but the volume readily available for sale during the latter part of the fourth quarter appeared to be somewhat short. In view of the indicated supply situation, some large buyers, including some chainstores, may have refrained from purchasing all of their turkey requirements earlier in the year, and speculated on an intraseasonal stability or decline in prices. However, the demand for turkeys toward the end of the year was such that prices rose sharply.

Lower Newspaper Advertised Prices

Chainstores and independent supermarkets that advertised turkeys in newspapers in the 5 cities around the time of the Bureau of Labor Statistics pricing dates had average prices of 41 cents per pound for medium turkeys in November, and about 47 cents in December 1959. These prices were about 9 and 6 cents

a pound lower than prices supplied by the Bureau of Labor Statistics for these midmonth periods. 5/ Some stores lowered prices of turkeys 2 to 4 cents a pound for Christmas week.

Turkey prices advertised by large chainstore organizations in various cities were quite similar. The intercity uniformity of prices may be assumed to be a direct result of pricing policies.

Comparison of Price Spreads for Turkeys and Chickens

Farm-retail price spreads on medium turkeys were 2.2 cents a pound less than comparable spreads for frying chickens during October-December 1959, but in 1958 these spreads were 0.9 cent larger for turkeys (table 10). From 1958 to 1959, turkey margins declined at all market levels. Price spreads on frying chickens, with the exception of receiver-to-retailer margins, also declined during this same period.

Table 10.--Price Spreads per pound (ready-to-cook basis) for medium size turkeys and frying chickens, averages for five large cities, October-December, 1958-1959

Spread	Medium turkeys		Frying Chickens	
	1958	1959	1958	1959
	Cents	Cents	Cents	Cents
Farm-retail	21.8	16.3	20.9	18.5
Retail store	10.3	6.1	12.1	9.6
Farm-to-retailer	11.5	10.2	8.8	8.9
Receiver-to-retailer	3.5	3.2	2.5	2.9
Farm-to-receiver	8.0	7.0	6.3	6.0

The spread between the farm value and price to retailers in both years was wider for turkeys than for chickens. The spread for turkeys was wider than that for chickens probably because of (1) the greater seasonality in turkey processing, and (2) concentration of commercial production in fewer areas, and more long-distance hauling of turkeys from major commercial producing areas, such as from California to the east coast.

5/ Retailers who feature turkeys or other commodities in newspaper advertisements usually tend to sell these items at lower prices than those prevailing in most other stores. These advertised prices were simple averages of prices by a not necessarily representative sample of chain stores and independent supermarkets in each city, whereas, the Bureau of Labor Statistics prices were weighted averages of prices of chain stores and independent retailers included in their stratified random sample of stores in each city.

In contrast, retail store spreads were lower for turkeys than for chickens in both years. Lower spreads for turkeys during this period in most cities were partially due to efforts on the part of retailers, especially supermarkets, to market turkeys at prices designed to attract customers and enhance total sales. In promoting the sale of turkeys retailers received some assistance from wholesalers and special interest groups affliliated with the turkey industry. This promotional assistance came in various forms, including merchandising counsel, posters and signs, flyers, and newspaper advertisements. Frying chickens were widely featured as special low margins sales items in some cities throughout 1958 and 1959. But during October-December they were perhaps not as widely featured as special sales items as were turkeys.

Medium turkey prices at various market levels in the last quarter of 1959 were at least 10 cents a pound higher than prices for frying chickens; but turkey prices are usually expected to be higher than those for frying chickens. This difference is approximately in line with relative costs of production. Retail prices for frying chickens, like those for medium size turkeys in the five cities studied were lower in 1959 than in 1958. Retail prices for frying chickens averaged 40.1 cents a pound in 1959, 2.2 cents less than in 1958. At other marketing levels, however, prices for chickens were about the same in both years, whereas prices for turkeys were higher in 1959 (table 9).